

Message Text

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ACTION NEA-10

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SUBJ: PEOPLES ASSEMBLY DEBATE ON RISING PRICES

REF: CAIRO 10508

1. SUMMARY AND INTRODUCTION. PEOPLES ASSEMBLY RESUMED DEBATE ON RISING PRICES APRIL 11 WITH STATEMENTS BY MINISTER OF TRADE AND SUPPLY ZAKARIYYA TEWFIK AND MINISTER OF INDUSTRY (ALSO MINISTER OF PETROLEUM AND MINERAL WEALTH) AHMAD HILAL. CAIRO PRESS APRIL 12 GIVE EXTENSIVE COVERAGE TO THEIR REMARKS AND ENSUING DEBATE. ACCORDING TO TEXTS OF THEIR SPEECHES WHICH EMBASSY OBSERVER AT SESSION OBTAINED AND PRESS REPORTS BOTH MINISTERS DEFENDED CURRENT GOE ECONOMIC POLICY. GOE CENTER PARTY MEMBERS SUPPORTED STATEMENTS WHILE WAFD CONTINUED ATTACK ON KAISSOUNI AND TEWFIK. END SUMMARY.

2. MINISTER OF SUPPLY TEWFIK MADE LENGTHY STATEMENT DURING DEBATE APRIL 11 IN WHICH HE GAVE DETAILS OF SUPPLY SITUATION AND HIS EFFORTS TO COPE WITH IT. WHEAT, HE SAID, IS BIGGEST PROBLEM. HE HAS ALREADY
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OBTAINED 2.5 MILLION TONS OF WHEAT OUT OF TOTAL IMPORT REQUIREMENT FOR 3.560 METRIC TONS. CADDITION OF REQUIRED WHEAT EQUIVALENT OF FLOUR PUTS IMPORT NEEDS OVER 4 M TONS.) 1.5 MILLION TONS SUPPLIED BY US, 1 MILLION BY AUSTRALIA. GOE URGENTLY NEEDS ANOTHER MILLION TONS OF WHEAT. MINISTER ANNOUNCED THAT ADDITIONAL LE 50 MILLION IN HARD CURRENCY HAS BEEN

ALLOCATED TO IMPORT MORE COMMODITIES IN EFFORT STABILIZE PRICES.

3. TEWFIK MADE CASE THAT PRICE INCREASES HAD RESULTED FROM INCREASED DEMAND IN EGYPT SINCE 1973 WAR. BECAUSE OF WAGE INCREASES MANY FARMERS AND LABORERS ARE CONSUMING, HE SAID, COMMODITIES THAT THEY COULD NOT FORMERLY AFFORD. THIS HAS PLACED PRESSURE ON SUPPLY SYSTEM AND HAS CAUSED INFLATION. INDIRECTLY CRITICIZING SWITCH TO PARALLEL MARKET RATE FOR IMPORTATION OF MANY COMMODITIES, TEWFIK EXPLAINED THAT MINSUPPLY HAD NO CHOICE BUT TO SWITCH ITS PRICING OF COMMODITIES TO PARALLEL MARKET RATE IN ORDER NOT TO DRASTICALLY REDUCE SUPPLY. HE EMPHASIZED THAT THESE COMMODITIES WERE NEVER SUBSIDIZED. TEWFIK THEN GAVE STATISTICS WHICH SHOWED MINISTRY OF SUPPLY HAD RESPONDED TO CHALLENGE OF GROWING DEMAND. AS OF JANUARY 1, 1978, TOTAL OF 827 COOPERATIVE SALES OUTLETS EXIST IN EGYPT, AN INCREASE OF 175 OVER 1976 TOTAL OF 653 COOPS. IN ADDITION, TEWFIK SHOWED THAT GOODS AVAILABLE IN BOTH PUBLIC AND PRIVATE SHOPS ARE CHEAPER IN MINISTRY OF SUPPLY IN KEEPING PRICES DOWN AND KEEPING INCREASES TO MINIMUM NECESSARY TO CONFORM WITH GOVERNMENT POLICY (REFERRING TO IMPOSITION OF USE OF PARALLEL RATE.)

4. MINISTER HILAL DEFENDED PLANNED INCREASES IN COST OF LIMITED OFFICIAL USE

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PUBLIC SECTOR OUTPUT. HE GAVE EXAMPLES OF INCREASED COSTS OF PRODUCTION OF REFRIGERATORS WHICH HAD INCREASED AS MUCH AS 108 PER CENT FOR SOME MODELS SINCE 1973. HILAL SHOWED THAT GOVERNMENT HAD GRANTED REASONABLE REQUESTS FOR INCREASE IN PRICE OF PUBLIC SECTOR OUTPUT BUT HAD REJECTED IN MANY CASES FULL COMPANY REQUESTS. HE PLEDGED THAT GOVERNMENT DOES NOT INTEND TO RAISE PRICES OF 29 "IMPORTANT AND PRINCIPLE" COMMODITIES PRODUCED BY PUBLIC SECTOR INCLUDING COOKING OIL, MARGARINE, SOAP, SALT, KEROSENE, FUEL OIL AND BUTAGAS.

5. DEBATE CONTINUED AFTER STATEMENTS WITH WAFD AND RIGHT PARTY MEMBERS SEVERELY CRITICIZING, ACCORDING OUR OBSERVER, DEPUTY PM KAISSOUNI AND MINISTRY OF SUPPLY IN PARTICULAR. CENTER PARTY MEMBERS, IN CONTRAST TO PREVIOUS SESSION, GENERALLY EXPRESSED SUPPORT FOR TEWFIK. DEBATE ENDED, HOWEVER, WHEN GOE CENTER PARTY MANAGED PUSH THROUGH MOTION FOR REFERRAL OF WHOLE PRICE INCREASE QUESTION TO ECONOMIC COMMITTEE.

6. COMMENT: MINISTER OF SUPPLY SEEMS TO HAVE GONE TO GREAT LENGTHS TO SHOW HOW, UNDER HIS LEADERSHIP, MINISTRY

OF SUPPLY ATTEMPTED TO MANAGE SITUATION. ZAKARIYYA
TEWFIK HAS TAKEN OF COURSE BRUNT OF RECENT CRITICISM FOR
PRICE INCREASES, MANY OF WHICH WERE CAUSED BY GENERAL
ECONOMIC POLICY SHIFTS. WE FIND MINISTER HILAL'S DEFENSE
OF NEEDED PRICE INCREASES IN PUBLIC SECTOR OUTPUT ANOTHER
INDICATION THAT GOE IS NOT PREPARED TO GIVE IN TO CURRENT
COMPLAINTS. IT IS MORE THAN A LITTLE DISTURBING, HOWEVER,
THAT HILAL MADE COMMITMENT NOT TO INCREASE PRICES OF
CERTAIN PRODUCTS, ESPECIALLY REFINED PETROLEUM PRODUCTS.
CONTINUED CONTROLS ON PRICES OF ENERGY SOURCES WILL
COMPLICATE EFFORTS TO GET MORE RATIONAL HOLD ON INVEST-
MENT POTENTIAL THROUGHOUT ECONOMY. IT REMAINS TO BE
SEEN, HOWEVER, IF MINISTER'S COMMITMENT WILL HOLD PAST
CURRENT IMBROGLIO. ELTS
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